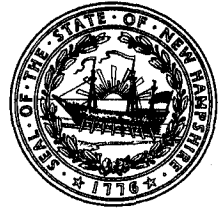




The State of New Hampshire
Department of Environmental Services



Michael P. Nolin
Commissioner

January 3, 2006

Tembec Industries, Inc.
Attn: Jacques Rocray
7 Davis Highway
Woodsville, NH 03785-0268

Re: Docket No. AF 05-064 – Tembec Industries, Inc.

Dear Mr. Rocray:

Enclosed for your records is a copy of the fully executed and accepted Motion to Accept Settlement Agreement in the above-captioned matter.

On behalf of the Department of Environmental Services, thank you for your cooperation in resolving this matter.

Sincerely,

COPY
Michael P. Scialfani,
Legal Assistant

cc: Anthony P. Giunta, P.G., Director, Waste Management Division
Gretchen R. Hamel, Administrator, DES Legal Unit
Kerry D. Barnsley, Compliance Attorney, DES Legal Unit
DES Public Information Officer
Lynn Woodard, DES WMD
Tom Beaulieu, DES WMD
Susan Hanamoto, DES WMD

Tembec Industries Inc.
7 Davis Highway
Woodsville, NH 03785-0268

**ADMINISTRATIVE FINE
AND LICENSE ACTION
No. AF 05-064**

Re: Tembec Woodsville, Inc., a/k/a Newman
Lumber, UST ID #0-111143

MOTION TO ACCEPT SETTLEMENT AGREEMENT

NOW COME the Department of Environmental Services, Waste Management Division ("the Division") and Tembec Woodsville Inc., parties to the above-captioned matter, and stipulate to the following:

1. The Commissioner of the Department of Environmental Services ("DES"), is authorized under RSA 146-C:10-a to impose administrative fines of up to \$2,000 per offense for violations of RSA 146-C and Env-Wm 1401 relating to installation, maintenance, operation, and closure of underground storage facilities. Pursuant to RSA 146-C:10-a, the Commissioner has adopted Env-C 607 to establish the schedule of fines for such violations.
2. Tembec Woodsville Inc. ("Tembec") is the registered facility owner of three underground storage tanks ("USTs") at the Tembec Woodsville Inc., facility ("the Facility"), further identified as UST # 0-111143, located on real property at 201 Central Street, Woodsville, NH ("the Property"). Jacques Rocray recently signed an updated Registration for Underground Storage Tank Systems for the Facility, on August 5, 2005, on behalf of the owner.
3. On July 11, 2005, the Division issued Notice of Proposed Administrative Fine No. AF 05-064 ("the Notice") to Tembec seeking fines totaling \$4,500 for violations of New Hampshire Administrative Rules Part Env-Wm 1401.
4. The Notice cited Tembec for violating Env-Wm 1401.04(a) by failing to provide DES with a current registration form for the Facility. Pursuant to Env-C 607.02(a) the Division sought a fine of \$1,000.
5. The Notice further cited Tembec for violating Env-Wm 1401.07(g) by failing to apply for a permit renewal at the Facility. Pursuant to Env-C 607.02(c) the Division sought a fine of \$1,000.
6. The Notice further cited Tembec for violating Env-Wm 1401.21(l) by failing to display and permanently affix a certificate bearing the Facility's tank information. Pursuant to Env-C 607.02(b) the Division sought a fine of \$100.
7. The Notice further cited Tembec for violating Env-Wm 1401.25(c) and (d) by failing to equip the 12,000-gallon #6 heating oil UST (Tank 6) with a spill containment device with a minimum 5-gallon capacity and by failing to properly install and maintain overfill protection equipment on the other 12,000-gallon #6 heating oil UST (Tank 7). Pursuant to Env-C 607.05(j) the Division sought a fine of \$400.

8. The Notice further cited Tembec for violating Env-Wm 1401.31(a) by failing to maintain leak monitoring equipment in good working order at all times to continuously perform their original design function for Tanks 6 and 7 and by failing to perform the annual test for proper operation. Pursuant to Env-C 607.05(d) the Division sought a fine of \$1,000.
9. The Notice further cited Tembec for violating Env-Wm 1401.32(b) by failing to provide corrosion protection on the existing #2 fuel oil UST by December 22, 1998. Pursuant to Env-C 607.03(e) the Division sought of fine of \$1,000.
10. In order to settle this matter, the Division and Tembec have agreed to the terms of this Settlement Agreement ("Agreement"), as set forth herein.
11. Of the proposed fine, in the amount of \$4,500, 20% or \$900 shall be waived due to this being a one-time unintentional violation. An additional 20% or \$900 shall be waived due to Tembec's good faith effort to return this facility to compliance by permanently removing the tanks and closing the Facility. An additional 20% or \$900 shall be waived due to Tembec's cooperation in returning the facility into compliance by permanently removing the tanks and closing the Facility.
12. Tembec agrees to pay the remaining \$1,800 upon execution of this Agreement by an authorized representative of Tembec.
13. Payment under Paragraph #12 shall be paid by certified check made payable to: "Treasurer, State of New Hampshire" and mailed to:

DES Legal Unit
Attention: Michael Sclafani, Legal Assistant
P.O. Box 95, Concord, NH 03302-0095
14. If any payment is made by check or money order that is returned due to insufficient funds, pursuant to NH RSA 6:11-a, DES may charge a fee in the amount of 5% of the face amount of the check or money order or \$25.00, whichever is greater, plus all protest and bank fees, in addition to the amount of the check or money order, to cover the costs of collection.
15. The parties have entered into this Agreement to avoid the time and cost of litigation. Except as described in this paragraph, this Agreement shall not constitute, be construed as, or operate as: (i) an admission of liability by Tembec; (ii) an admission by Tembec or evidence that it violated any law, rule, regulation, policy or regulatory interpretation; or (iii) a waiver of any defense Tembec might raise in any third party proceeding.
16. By executing this Agreement, Tembec waives its right to a hearing on, or any appeal of, the administrative fines identified above, and agrees that this Agreement may be entered into and enforced by a court of competent jurisdiction. Tembec shall not challenge the validity of the violations alleged herein in the context of any future proceeding by DES assessing the

compliance history of Tembec and alleging violations of the New Hampshire Code of Administrative Rules or statutes, or in any proceeding before DES to enforce this Agreement.

17. The effective date of this Agreement will be the date on which it is signed by an authorized representative of Tembec, the Director of the Waste Management Division, and the Commissioner of DES. After that date, this Agreement may be amended only by written agreement signed by both parties and the Commissioner. Any such amendment will become effective on the date on which it has been accepted by the Commissioner.

18. No failure by DES to enforce any provision of this Agreement after any breach or default will be deemed as a waiver of its rights with regard to that breach or default, nor will such failures be construed as a waiver of the right to enforce each and all provisions of this Agreement on any further breach or default.

WHEREFORE, the parties respectfully request the Commissioner to accept the terms of this Agreement by granting this Motion.

Respectfully submitted,

Tembec Woodsville Inc.

2005/12/08
Date

COPY

Jacques Rocray, Vice President
Duly Authorized

DES Waste Management Division

12/27/05
Date

COPY

Anthony P. Giunta, P.G., Director

This Motion to Accept Settlement agreement is granted this 29th day of December, 2005

COPY

Michael P. Nolin, Commissioner
Department of Environmental Services